



SOUND BYTE



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The Next Satellite Radio Rate Case ("SDARS III") Is Coming — What You Need to Know

In January 2016, the Copyright Royalty Board (CRB) will begin proceedings to determine the rates and terms for royalty payments due for the digital transmission of sound recordings by Satellite Digital Audio Radio Services (SDARS) (i.e., Sirius XM's satellite radio service) and Preexisting Subscription Services (PSS) (i.e., audio only music channels in cable/satellite TV packages from music providers that were in existence prior to 1998).

The royalties for these kinds of services that are collected and then paid out by SoundExchange under the statutory license are set in proceedings before the CRB every five years. The new SDARS and PSS rates will be in effect for 2018-2022.

SoundExchange represents *all* artists and copyright owners in these proceedings and advocates for rates that fairly value your music. That typically puts us in opposition with services such as Sirius XM and Music Choice because we seek higher compensation for performers and labels while they generally argue for lower rates for the music they use.

It's important to pay close attention to these proceedings as they unfold—because Sirius XM and the PSS will have the ability to use *your* recordings at the rates the CRB sets.

We understand that Sirius XM is offering direct licenses to some labels for the use of their recordings on Sirius XM's various digital radio platforms—including satellite radio service, as well as its webcasting, business establishment and "cable radio" platforms—instead of relying on the statutory license SoundExchange administers. For clarification, the current statutory rate for SDARS is **10 percent of revenues** in 2015, rising to **10.5 percent** in 2016 and **11 percent** in 2017. Sirius XM also pays at separate rates under the statutory license for its other platforms.

It's a matter of public record that, in the past, Sirius XM tried to create evidence of "marketplace" rates below the statutory rate—for purposes of obtaining a more favorable rate determination from the CRB—by offering independent record labels the ability to collect the artist share themselves. Sirius XM suggested that even if the offered rate was lower than the statutory rate, the record label would nonetheless receive more revenue because it would receive the portion that would otherwise go to the artists. That might be attractive to some labels: Getting 100 percent of a lower rate may be better than getting 50 percent of the statutory rate.

Whether to enter into a direct license with Sirius XM is entirely your decision. SoundExchange does not advise record companies about what is best for their individual businesses and, in any event, we don't know the terms of Sirius XM's offers. Labels should, however, keep in mind that any direct deals might be used against artists and record companies as evidence in the upcoming SDARS III rate proceedings as has occurred in the past two satellite rate proceedings. Labels should also pay specific attention to exactly how artist revenue is being treated in these deals.

Finally, even though we administer the statutory license, SoundExchange is not opposed to direct licenses, and we certainly won't treat anyone less favorably if they enter into such licenses. In fact, in the event that labels choose to make direct deals, SoundExchange is willing to administer those negotiated licenses (and actually does so for many current deals) as long as the relevant artists receive **50 percent** of the royalties directly from SoundExchange. Aside from direct payments to artists, other benefits of SoundExchange administering direct deals include:

- ▶ An extremely low administrative rate to process the royalties (4.6 percent in 2014);
- ▶ Rapid payment (SoundExchange is the only sound recording CMO in the world to pay monthly); and
- ▶ Ability to clarify data errors and ownership conflicts.

While rights owners can and should strike whatever deals make sense for them, they should be fully informed in their decision-making. The rates that the CRB set will apply to *all* copyright owners and are available to *all* eligible services. Sirius XM and other digital radio services are intensely focused on how market evidence will be used in their case, and you should be as well.

To see how Sirius XM employed similar tactics in the SDARS II hearing, you can read these articles from *Billboard*:

Sirius XM Attempting to License Directly from Labels
Sirius XM Will Pay More for Music Through 2017 (Updated)

Landmark's the Spot

On September 26 and 27, 2015 SoundExchange was on-site to experience and document an unforgettable, one-of-a-kind music festival at West Potomac Park in Washington, D.C. The inaugural Landmark Music Festival drew 30,000 music lovers each day for a weekend that proved to be both memorable and impactful. The excitement surrounding the festival headliners, which included Drake and The Strokes, was equally matched by the community's effort to bring awareness and funds to help restore the National Mall.

SoundExchange presented the Artist Lounge and hosted the official artist hang where they relaxed before their set, unwound after their set and, of course, learned about the many benefits of being a SoundExchange member! Many artists—including The Mowgli's, In The Valley Below and Houndmouth among others—stopped by the SoundExchange Artist Interview Lounge to speak to us about their favorite venues to play, what they are streaming, their guilty pleasures and more. Outside of the lounge, the SoundExchange team spoke with DC-raised Wale (click the image below to check out that interview), Miguel and Twin Shadow.



Check out some of our favorite pictures from the festival on the next page (including our [Instagram](#) Series "SoundExchange Snaps") and stay tuned for more SoundExchange content captured at the festival, coming soon!



Ace Cosgrove at the 2015 Landmark Music Festival



The London Souls at the 2015 Landmark Music Festival



SoundExchange Snaps Photo Series: (Clockwise from top left) The Mowgli's, In The Valley Below, Alt-J, Houndmouth

Americana Music Festival and Conference Rewind

For the second year in a row, SoundExchange partnered with the Americana Music Festival and Conference in Nashville, Tenn. and was featured throughout the conference. SoundExchange helped present the opening reception at Yazoo Brewery to honor the Americana Awards nominees and presenters. It was an intimate, invite-only reception honoring great Americana artists.

SoundExchange Vice President of Global Public Policy Julia Massimino participated in a well-attended panel moderated by *Tennessean* reporter Nate Rau, which focused on the current state of play in the public policy arena. Other speakers on the panel included: legendary artist Rosanne Cash, guitarist and composer Marc Ribot, John McCrea, Cake, Jeff Boxer, Content Creators Coalition (CCC); Ted Kalo, musicFirst. The discussion centered around the Fair Play Fair Pay legislation pending on Capitol Hill.

SoundExchange Vice President of Industry Relations Barry LeVine and SoundExchange Senior Director of Industry Relations Linda Bloss-Baum presented a SoundExchange master session as part of Americana's Digital Education series. It was an interactive and engaging discussion with many of Nashville's music industry practitioners and artists. The session was recorded by [American Songwriter](#).

Americana 2015 was a great success and we look forward to being an integral part in the future!

Gospel Music Association (GMA) Dove Awards — A Night to Celebrate

In October, SoundExchange was proud to support the 46th Annual GMA Dove Awards. The spectacular evening featured performances and appearances by some of gospel music's biggest stars. Christian hip-hop star **Lecrae** was named Artist of the Year and made history by being the first hip-hop artist ever to win the award. Lecrae also won awards for rap hip-hop Album of the Year and rap hip-hop Song of the Year.

Newcomer **Lauren Daigle** also took home three awards, including new artist, Song of the Year and pop/contemporary Song of the Year for her anthem single, "How Can It Be," which she also performed during the show, held at Lipscomb University in Nashville, Tenn.

As part of the awards, SoundExchange President and CEO Michael Huppe teamed up with gospel music legend and multiple time GRAMMY® winner **Bebe Winans**, 2015 Dove nominee **Jonathan McReynolds**, Word Entertainment President and CEO **Rod Riley** and up-and-coming gospel talent **Alexa Cruse** to present a short video during the awards ceremony on the SoundExchange impact in the current digital music ecosystem.

We are thrilled to share that video with you all. In case you missed it on our social media channels, check out the video by clicking the image below.

SOUNDEXCHANGE
PARTNERS



Congratulations to all the nominees and winners! We are already looking forward to 2016.

RIAA Mid-Year Numbers

The Recording Industry Association of America (RIAA) released its 2015 mid-year revenue statistics, and **the results** show impressive growth in revenue from streaming services. Total streaming revenue to record companies and recording artists reached \$838.6 million, 37 percent of all trade revenue (which reached \$2.26 billion). This includes \$387.2 million distributed by SoundExchange, a 20 percent increase from the prior year, and an all-time high. Overall, digital streaming growth was more than enough to make up for loss in revenue from digital download sales (from stores such as iTunes). Those sales declined 4 percent from prior years. Physical sales also continued their decline, down 17 percent from last year despite a 52 percent increase in vinyl sales over the same period.

Focusing on streaming, SoundExchange's \$387.2 million represented 46 percent of streaming revenue when measured at trade value. This is higher than any other category of streaming revenue, including paid subscription, which brought in \$286.7 million. Paid subscription subscriber counts were lower than hoped for, only gaining 200,000 over the last year, bringing the current number to 8.1 million. (Importantly, however, those figures likely do not include any Apple Music subscribers.) In general, however, these numbers continue to demonstrate the increasing importance of streaming revenue for our industry. In the first half of 2015, SoundExchange payments represented 17 percent of recorded music revenue in the U.S. on a wholesale basis.

RIAA's full 2015 numbers and analysis will be released sometime in April 2016.

This Is SoundExchange

The music business is complicated. There are enough copyright laws and statutes to keep you reading for years. But part of our job is to take that information and make it as simple as possible for artists and record labels so that they can focus on making the music we all know and love.

Thankfully we have a great team here at SoundExchange that all pitched in their knowledge to help create a brand new animated video, entitled "This Is SoundExchange," that details the intricacies of the recorded music industry and exactly what SoundExchange does.

Check it out by clicking the image below and be sure to share!

THIS IS
SOUNDEXCHANGE



Proof of Delivery

I hereby certify that on Tuesday, March 10, 2020, I provided a true and correct copy of the 11.24.2015 The Next Satellite Radio Rate Case (SDARS III) Is Coming (PUBLIC) to the following:

American Association of Independent Music ("A2IM"), The, represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

SAG-AFTRA, represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

National Religious Broadcasters Noncommercial Music License Committee, represented by Karyn K Ablin, served via Electronic Service at ablin@fhhlaw.com

Sony Music Entertainment, represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

David Powell, represented by david powell, served via Electronic Service at davidpowell008@yahoo.com

Warner Music Group Corp., represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

SoundExchange, Inc., represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

Pandora Media, LLC, represented by Jeremy C Cain, served via Electronic Service at jeremy.cain@weil.com

Google Inc., represented by Kenneth L Steinthal, served via Electronic Service at ksteinthal@kslaw.com

UMG Recordings, Inc., represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

Sirius XM Radio Inc., represented by Jeremy C Cain, served via Electronic Service at jeremy.cain@weil.com

Jagjaguwar Inc., represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

iHeartMedia, Inc., represented by John Thorne, served via Electronic Service at jthorne@kellogghansen.com

Educational Media Foundation, represented by David Oxenford, served via Electronic Service at doxenford@wbklaw.com

American Federation of Musicians of the United States and Canada, The, represented by Jennifer J Yun, served via Electronic Service at JYun@jenner.com

Signed: /s/ Joseph Wetzel